

Message Text

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ACTION TRSE-00

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PRS-01 USIA-15 SP-02 AID-05 EB-07 NSC-05 CIEP-02

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TO SECSTATE WASHDC 7545

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USADB

FOR NAC AGENCIES

E.O. 11652: N/A

TAGS: EAID, EFIN

SUBJ: ADB TECHNICAL ASSISTANCE (TA) TO SRI LANKA FOR LUNUGANWEHERA
RESERVOIR PROJECT

SUMMARY: ADB PRESIDENT HAS APPROVED \$49,000 TA GRANT TO
GOVERNMENT OF SRI LANKA TO FINANCE FOREX COST OF TA TO
DETERMINE TECHNICAL SOUNDNESS AND ECONOMIC VIABILITY OF
LUNUGANWEHERA RESERVOIR (IRRIGATION AND AGRICULTURAL
DEVELOPMENT) PROJECT AND TO PROVIDE ACCURATE COST
ESTIMATES. TA WILL PERMIT BANK AND GOVERNMENT TO DECIDE
ON FUTURE ACTION REGARDING PROJECT. END SUMMARY.

1. ADB DOC. R78-76 DESCRIBING PROPOSED GRANT POUCHED
ADDRESSEES JULY 14.

2. ADB PRESIDENT HAS APPROVED \$49,000 TA GRANT TO
GOVERNMENT OF SRI LANKA TO FINANCE FOREX COST OF TA FOR
SUBJECT PROJECT TO DETERMINE ITS TECHNICAL SOUNDNESS
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AND ECONOMIC VIABILITY FOR POSSIBLE SUBSEQUENT ASSISTANCE

FROM BANK. PROPOSED PROJECT HAS BEEN ACCORDED HIGH PRIORITY BY GOVERNMENT.

3. PROJECT AREA IS LOCATED IN EXTREME SOUTH CENTRAL PORTION OF SRI LANKA IN KIRINDI OYA WATERSHED, IMMEDIATELY EAST OF ON-GOING ADBASSISTED WALAWE DEVELOPMENT PROJECTS AND SOME 170 MILES SOUTHEAST OF COLOMBO. AREA LIES WITHIN SRI LANKA'S DRY ZONE WITH ANNUAL RAINFALL AVERAGING LESS THAN 70 INCHES.

4. WHILE SUITED FOR AGRICULTURAL PURPOSES, MUCH OF PROJECT AREA IS NOT PRESENTLY CROPPED DUE TO LACK OF WATER. ABOUT 9,000 ACRES ARE IRRIGATED ON A GENERALLY RUN-OF-THE-RIVER BASIS USING WATER DIVERTED FROM KIRINDI OYA. HOWEVER, PERIODIC DROUGHTS CURTAIL AGRICULTURAL PRODUCTION.

5. MAJOR COMPONENTS OF PROJECT INCLUDE CONSTRUCTION OF ROLLED EARTHFILL DAM, LAND DEVELOPMENT AND IRRIGATION FACILITIES ON NEW LANDS, SUPPLY OF SUPPLEMENTARY WATER FOR EXISTING IRRIGATED LANDS, AND SETTLEMENT INFRASTRUCTURE INCLUDING ROADS, HEALTH AND EDUCATION FACILITIES. PROPOSED LUNUGANWEHERA RESERVOIR WOULD CONTROL RUNOFF FROM 277 SQUARE MILE KIRINDI OYA WATERSHED, WHICH WOULD BE SUFFICIENT TO MEET YEAR-ROUND IRRIGATION REQUIREMENT FOR SOME 16,000 ACRES OF NEW LANDS AND SUPPLMENTAL IRRIGATION REQUIREMENTS FOR ABOVE-MENTIONED 9,000 ACRES OF EXISTING CULTIVATED LANDS.

6. SOME 6,400 FARM FAMILIES WOULD BE SETTLED ON THE MOSTLY UNOCCUPIED LANDS TO BE NEWLY IRRIGATED, WHICH WOULD HELP REDUCE INCREASINGLY HEAVY POPULATION CONCENTRATIONS IN WET ZONE. CROPPING INTENSITIES WOULD REACH ABOUT 2.0, MAINLY DOUBLE-CROPPED PADDY BUT WITH SUBSTANTIAL AREAS DEVOTED TO COTTON AND SOYA BEAN PRODUCTION DURING DRY SEASON.

7. BANK MISSION THAT VISITED SRI LANKA LAST MAY CONSIDERS PROJECT TO BE PRIMA FACIE TECHNICALLY SOUND AND ECONOMICALLY VIABLE. HOWEVER, MISSION CONSIDERS UNCLASSIFIED

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THAT FURTHER PROJECT PREPARATION INCLUDING REVISION OF ACCURATE COST ESTIMATES IS NECESSARY PRIOR TO PROJECT APPRAISAL FOR POSSIBLE BANK FINANCING. (TOTAL COST OF PROJECT IS TENTATIVELY ESTIMATED AT ABOUT \$40 MILLION, OF WHICH ABOUT \$20 MILLION WOULD BE IN FOREIGN EXCHANGE-- AT 1975 COSTS. IMPLEMENTATION WOULD REQUIRE ABOUT SEVEN YEARS FOR COMPLETION.) PROJECT WOULD ASSIST IN REDUCING COUNTRY'S RELIANCE ON IMPORTED FOODSTUFFS.

8. TOTAL COST OF TA IS ESTIMATED AT \$75,000 EQUIVALENT, OF WHICH \$49,000 IS FOREX COMPONENT. LOCAL CURRENCY REQUIREMENT OF \$26,000 EQUIVALENT WILL BE MET BY GOVERNMENT FROM ITS OWN RESOURCES.

9. CONSULTANT TEAM TO BE FINANCED WITH TA GRANT WILL INCLUDE THREE INDIVIDUAL FOREIGN EXPERTS, CONSISTING OF IRRIGATION/CIVIL ENGINEER, AGRONOMIST AND AGRICULTURAL ECONOMIST/RURAL INSTITUTION SPECIALIST. WORK IS EXPECTED TO START IN EARLY JULY AND BE COMPLETED EARLY SEPTEMBER 1976, COVERING ABOUT 2-1/2 MONTHS.

10. UNDER PARA. 7.2 OF ADB'S GUIDELINES FOR TECHNICAL ASSISTANCE, TA PROJECTS IN AMOUNT NOT EXCEEDING \$50,000 MAY BE APPROVED BY ADB PRESIDENT AND DO NOT REQUIRE APPROVAL OF BOARD OF DIRECTORS. SUBJECT TA WAS APPROVED BY PRESIDENT ON JULY 7.
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